

programming offered to viewers on MSG Network on a regularly scheduled basis was limited to the Knicks and Rangers and a smattering of college football games, professional and amateur boxing, tennis and wrestling. (Exhibit 3). In fact, roughly 45% of the programs carried on MSG Network in fiscal 1981-82 were devoted to horse racing alone. (Exhibit 3). MSG Network now offers major league baseball games (Yankees), Knicks and Rangers games, more than twice as many professional boxing events, nearly four times as many college basketball games, six times as much tennis, plus many sporting events that were not carried at all ten years ago -- golf, auto racing and motor sports, outdoors sports, including fishing and hunting, and an array of sporting news and commentary. (Exhibit 3).¹³

Another significant contribution to the welfare of consumers of sports programming in this region is MSG Network's production of extensive sports news and independent sports commentary. In 1981/82, there was no sports news and commentary carried on MSG Network; over the ensuing ten years, however, the number of sports news and commentary shows carried on MSG Network has grown to a total of 845 per year. (Exhibit 3). Again, the contribution to consumer welfare of additional sports news and commentary is one that

¹³ Indeed, in 1990/91, MSG Network carried two-and-one-half times as much horse-racing programs as it did ten years earlier, but horse racing events in 1990/91 constituted less than 15 % of the total mix of sporting events carried on MSG network, down from the 45 % level of the previous decade. (Exhibit 3).

deserves recognition under the Cable Act of 1992, which recognized the importance of "local news and public affairs programming and other local broadcasting services to an informed electorate."¹⁴

In fact, the contribution is all the more valuable when one considers that of the total sports programming carried by MSG Network, 25% is sports news and commentary locally-produced by MSG Network itself. For example, MSG Network produces and carries before and after virtually every Knicks, Rangers and Yankees game it cable-casts, a half-hour pre-game news and commentary show and at least a 15 minute post-game analysis. In addition, MSG Network has produced and regularly cable-cast "High School Sports Show", "Around the NFL", "Jets Journal", "Lou Carnesecca Show" (a St. John's basketball coach commentary show), "Sports Forum", and "Sportsdesk", all of which are at least one-half hour in duration and which provide sports news and commentary of particular interest to local fans. This significant contribution of local sports programming, especially news and commentary, by MSG Network furthers important public policy goals identified in the Cable Act of 1992: "A primary objective and benefit of our Nation's system of regulation of television broadcasting is the local origination of programming. There is a substantial governmental interest in ensuring its continuation." Cable Act of 1992, Section 2(a)(10).

¹⁴ The outcome of sporting events, the conduct of professional athletes on and off the field and the management of sports teams are all issues that engender a tremendous amount of public attention and discussion in this country. The increased presentation of news and commentary on these issues on MSG Network and its cable and broadcast competitors is, we submit, clearly in the public interest.

The startling increase in the quantity and diversity of sports programming on MSG Network over the past decade is in itself an achievement that serves consumer welfare in the Tri-State region. But perhaps just as significant is the fact that MSG Network has achieved this growth by acquiring sports programming that was not previously shown on broadcast television in this region. With the exception of the carriage on MSG Network of roughly 60 Knicks and Rangers games that were broadcast by WWOR before it dropped the games after the 1988/89 season, MSG Network's current roster of programs (as well as the 3,416 sports programs carried by MSG Network in 1990/91) contains no sports programs that at one time were regularly telecast but no longer are telecast in the Tri-State region by New York independent or network broadcast stations.¹⁵ For example, although MSG Network now telecasts almost four times as many college basketball games as it did ten years ago, those games had never been regularly telecast by broadcast stations in New York. Similarly, college football and baseball games now carried on MSG Network, as well as sports like volley-ball and high school basketball, were not regularly telecast by the stations in New York prior to becoming part of MSG Network's comprehensive sports programming schedule. The benefits of MSG Network's contribution to expanding the menu of sports to

¹⁵ By "regularly telecast," we mean telecast periodically regardless of the frequency of telecast. For example, if broadcast stations carried track and field events one time annually, such an event would be considered "regularly telecast". On the other hand, if lacrosse were shown in a sports anthology show like "ABC Wide World of Sports", or was broadcast once or twice without any expectation that it would be broadcast again with any degree of regularity, we would not deem such a show "regularly telecast" on New York stations for purposes of this comparison.

consumers in this area, then, has not been at the expense of programming broadcast over-the-air to the New York audience.

To sum up, the amount and diversity of sports programming available to the region on MSG Network has increased significantly over the last decade. Included in the broad spectrum of sports programming carried is a large slate of locally originated sports news and commentary that might otherwise not be available to the viewing public. The trend described above indicates that the growth of MSG Network has successfully met the public's interest in an expanded menu of sports programming, and furthered "the policy of Congress" under the Cable Act of 1992 to "promote the availability to the public of a diversity of views and information through cable television..." Cable Act of 1992, Section 2(b)(1).

2. The Carriage of Sports Programming on MSG Network has Increased Consumer Access to such Programming

The carriage on cable of sports programming that at one time was carried on broadcast television, according to some commentators, reduces audience access to such programming. This supposition, however, ignores the countervailing view that distribution of programming via subscription cable can in many instances surpass the efficiencies of broadcast television. As Congress acknowledged in the Cable Act of 1992: "Cable television systems often are the single

most efficient distribution system for television programming." Section 2(a)(18).

The New York Tri-State region is a good example of how cable carriage of sports programming has the potential of reaching more viewers than broadcast television. The number of television households in the New York Designated Market Area ("DMA") numbered 6,733,920 in 1992.¹⁶ The number of MSG Network subscribers in the New York DMA is roughly half that, or 3,210,873¹⁷. But outside the New York DMA, where the broadcast signals of New York City stations are not watched because they are difficult or impossible to receive over-the-air, MSG Network has 1,708,000 subscribers that otherwise would have difficulty receiving over-the-air any of the sporting events that are broadcast by New York stations. (See Exhibit 4).

In defining the "consumer" whose welfare is the focal point of the Commission's sports migration study, the emphasis should not be confined to narrow geographic boundaries. The fact is that interest in sports teams and athletic contests is no longer confined to "home-town" fans. Both professional and college teams have ardent fans distributed across vast geographic regions, as evidenced by the growth in national network carriage of all forms of professional and college athletic contests. Enthusiastic support for, and hence viewer interest

¹⁶ Source: A. C. Neilson, November 1992.

¹⁷ Source: MSG Network Affiliate Department, December 1992.

in, teams is even stronger in discrete geographic regions. While the New York DMA may contain more total viewers than the subscribership of MSG Network, the fact that MSG Network can reach viewers otherwise entirely shut out of receiving sports programming broadcast by New York City stations is an important contribution to the public welfare.

One significant aspect of availability is cost. The cost to cable operators of MSG Network programming has been, and is likely to remain low. In fact, as MSG Network's slate of programming has grown, the cost per event has declined. In 1981/82, it cost cable systems \$.06 per subscriber per defined event shown on MSG Network, which at that time cable-cast roughly 125 defined events annually. In 1990/91, cable operators paid half that amount per event. Moreover, by that time, the number of events had almost tripled to 370 events per year, including not just Knicks and Rangers games, but Yankees games as well. For these reasons, the potential access of large numbers of viewers in and out of the New York DMA for literally pennies a major sporting event makes MSG Network's unique blend of sports programming eminently accessible to interested consumers.

III


CONCLUSION

MSG's experience with Knicks, Rangers and Yankees games illustrates the danger of labeling any movement of sports from broadcast television to cable as "sports migration." Knicks and

Rangers games moved to cable carriage on MSG Network to avoid disappearing entirely from the television sets of their fans. With no available alternatives on broadcast television, the carriage of these games on a basic cable network clearly serves the public interest. The results of MSG Network's acquisition of exclusive video distribution rights to Yankees games has had a similarly beneficial effect -- there has been no reduction in the number of Yankees games telecast over-the-air since MSG Network's deal with the Yankees. And, just as significantly, 100 Yankee games that were previously carried on a premium cable network are now available to most subscribers on a basic cable network, namely, MSG Network.

Finally, the growth of MSG Network has clearly enhanced consumer welfare in this region by increasing dramatically the variety, diversity and quantity of sports programming available to interested viewers here.

Respectfully submitted,
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Exhibit 1

Manufactured by
JULIUS BLUMBERG, INC.
NYC 10003

EXHIBIT 1

<i>KNICKS/RANGERS GAMES (REGULAR SEASON)</i>
<i>TELECAST ON WWOR – TV</i>
<i>CABLECAST ON MSG NETWORK</i>

<u>SEASON</u>	WWOR – TV			MSG NETWORK		
	KNICKS	RANGERS	TOTAL	KNICKS	RANGERS	TOTAL
1980–81	31	29	60	41	40	81
1981–82	29	31	60	40	40	80
1982–83	28	32	60	41	40	81
1983–84	32	28	60	41	40	81
1984–85	29	31	60	41	40	81
1985–86	24	21	45	49	51	100
1986–87	24	21	45	46	52	98
1987–88	23	22	45	55	50	105
1988–89	24	22	46	53	54	107
1989–90	0	0	0	75	74	149
1990–91	0	0	0	77	77	154
1991–92	0	0	0	78	75	153

Source : Figures set forth above with respect to Knicks/Rangers games cablecast on MSG Network during the 1980–81 and 1982–83 through 1985–86 seasons are best estimates based on available documents.



EXHIBIT 2

New lineup: Back, from left: Vince Lipari of "Evening Magazine"; Bob Woodruff, executive producer; talent Renee Hambley and Richard Bay. Front: Execs Jane Hartley and Bob Kunath.

The news at Ch. 9

**MCA takes
risk to make
WWOR pay**

By PATRICK REILLY

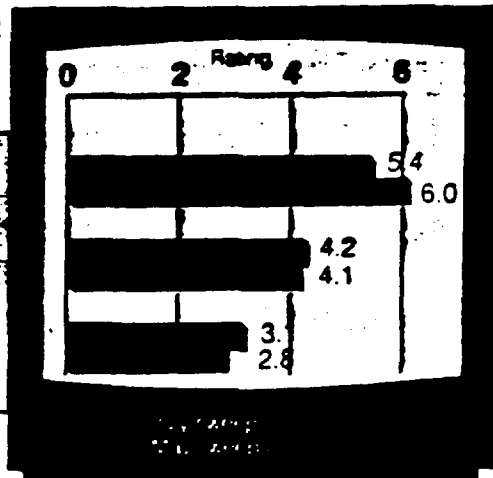
CRAIN'S NEW YORK BUSINESS

Less than a year ago, Bob Kunath didn't come up with enough money to win the right to show reruns of "The Cosby Show" on his television station, WNYW-TV, Channel 5.

Today, ensconced as the general manager of WWOR-TV, Channel 9, Mr. Kunath has both the Cosby show (which cost the station a record-setting \$365,000 per episode) and a bold plan to boost ratings at the third-rated of New York's three independently owned TV stations

**News Sweeps:
New York's
Independents**

Channel 5	
WNYW-TV 10:00 p.m.	
Channel 11	
WPX-TV 7:30 p.m.	
Channel 9	
WWOR-TV 8:00 p.m.	



old movies and sports," Mr. Kunath says. "We couldn't make subtle changes and expect ratings to go up; we made big ones. We'll establish a new identity with more locally oriented

Gone from the Secaucus, N.J.-based station is a lackadaisical, slightly provincial newscast; in its place is a freshly recruited lineup of anchors and reporters, including the start of an investigative unit.

Gone are the out-of-date "Million Dollar Movie" reruns, hokey late-night religious programs and (possibly) live weekday Knicks and Rangers games; in are a controversial and conservative weeknight talk show host, a 10 p.m. newscast and a roster of highly rated syndicated TV shows.

Such a heavy emphasis on local programs and TV talk in prime time is virtually unprecedented, according to advertising executives and industry observers. And WWOR's lineup has already roused skeptics.

"The lineup is groundbreaking for sure, but I think people want entertainment at that time (prime time)," says Gary Pranzo, director of local broadcasting at Young & Rubicam Inc.

Changing of the guard

Channel 9's upheaval is a direct result of the changing of the guard in independent stations in New York. In March 1986, Rupert Murdoch completed the purchase of Channel 5 and five other TV stations for a whopping \$2 billion. Last April, MCA Inc. paid \$387 million for Channel 9. Both well-heeled owners are implementing new strategies to justify the stiff costs of their TV acquisitions.

In the case of Channel 9, the idea is to create three hours of news and information programming in prime time.

"Evening Magazine," a half-hour show to feature three "hot topics and trends affecting the lives of tristate viewers" begins the schedule at 8 p.m. It will be followed by "Entertainment Tonight," a half-hour, nationally syndicated entertainment news show at 8:30. "The Morton Downey Show" will air at 9 p.m., followed by an hour-long newscast.

In the morning, too, there is new local programming to come. "People Are Talking," an hour-long call-in talk show with a live studio audience, is planned for 11 a.m.

Despite the critics, viewers in New York appear to have an increasing desire for such fare.

Ratings for the "MacNeil/Lehrer Hour" increased last year when WNET-TV, New York's public TV station, edged the show into prime time, moving it to 7:30 p.m. from 7 p.m. "A Current Affair," WNYW's locally produced news magazine, has been picking up momentum since being moved to 7:30 p.m. last September. While third in the time slot behind game shows, it is well ahead of any other newscast. Fox Television will syndicate "A Current Affair" nationally in 1988.

To clear the way for WWOR's news and information lineup, Mr. Kunath has proposed something startling: delaying broadcast of weekday New York Knicks and Rangers games until 11:30 p.m. Channel 9 has carried the teams, which are owned by Madison Square Garden, since 1961. But in recent years, according to Farrell Meisel, WWOR's director of programming, their

ratings have been "trending down," averaging only a 3 rating last season.

"We would think differently if it were the Boston Celtics and had a 12 rating," Mr. Kunath says. "For you ratings fans, no one watches those (Knicks, Rangers) games."

Two years remain on WWOR's contract with the Garden, calling for a minimum of 40 broadcast games in the 1987-88 season. Robert Gutkowski, executive vice president of the Madison Square Garden Communications Group, says WWOR's proposal is "in negotiations." No deadline for a decision is set, but the Rangers' first game is about two months away.

Dropping games of the hapless Knicks and the nightly "Million Dollar Movie," which averages about a 5 rating, won't mean much financially. Media buyers say 30-second spots of commercial time during games and movies go for about \$3,000, a bargain-basement price in the New York market. Mr. Kunath expects shows such as "Downey" to pull a 6 rating, and buyers believe WWOR will in general be raising the price of its prime-time commercial inventory.

Station needs to make money

There's a good reason for that: WWOR needs to make money to pay for, first, the big dollars it spent for the station and, second, its expensive inventory of syndicated shows such as "Cosby." Industry experts say MCA paid an estimated 20 times cash flow for WWOR, considered high for the purchase of a TV station.

"It won't price itself out of the market, but the purchase price has the station thinking of higher rates," says Matti Prima, a managing director of Henry Anshecher Inc., an investment banking firm involved in selling TV stations. "That's risky at a time when TV ratings for indies and networks are being eroded by cable and VCRs."

WWOR has assembled some of the country's hottest TV syndication properties. Shows such as "Magnum" and "Simon & Simon," which WWOR will air this fall, are actually syndicated by MCA itself.

But the potentially higher ratings some new shows will garner won't be seen for several years. "Cosby" and CBS's "Kate & Allie" aren't available until fall 1988, and ABC's popular "Who's the Boss?" doesn't go into reruns until 1989.

Eventually, "Cosby" and "Boss" will land between 6 p.m. and 8 p.m. Monday through Friday on the WWOR schedule, where they can supply a strong lead-in to the prime-time lineup of local shows.

"Historically, independents have successfully scheduled comedies between 6 and 8 p.m. to counter-program the network affiliates' newscasts," says Mr. Meisel, the WOR programming director.

For now, though, carrying the syndicated shows will cut into the station's profit margin.

"With all the buying that WWOR has done, I would be surprised if its profit margin were more than 10%," says Ron Ninowski, president of Washington-based Gammon & Ninowski Media Investments

Inc. Independent stations usually average profit margins of 22% to 27%, he notes.

If Mr. Kunath is worried about making budget this year, he's not showing it. As part of his revamping, he says he's increased WWOR's news department budget by as much as 40%.

Some of that money has gone to added on- and off-air talent. Remy Blumenfeld, who covered New York's social scene for competitor WPIX-TV, Channel 11, was hired in May as a feature-lifestyle reporter. WWOR has created an investigative unit for News 9, hiring Barbara Gardner, formerly of The Bergen Record, as associate producer and Gary Scurka as producer. He was hired this month from KOVR-TV in Sacramento, Calif., where he was investigative producer.

And Mr. Kunath is also willing to part with a buck when he feels that what it bought doesn't fit the image of WWOR. For example, he canceled all the purchased religious programming on WWOR, effective this fall. The shows dropped include "Dr. Robert Schuller's Hour of Power," "Jimmy Swaggart," "The 700 Club" and "The World Tomorrow."

The likes of Rev. Swaggart will be replaced by a new three-hour block of children's programs, including "Romper Room," from 6 a.m. to 9 a.m.

"I was amazed at what they would pay," Mr. Kunath says. "As much as \$20,000 for an hour at 6 a.m. Not renewing the contracts cost us several millions of dollars."

"The religious shows appealed to a small audience," Mr. Kunath says. "We don't have time for those programs anymore. We're taking a broader view." □ CNYB

Exhibit 3

Manufactur
JULIUS BLUMB
NYC 100
CAT. NO. 6

EXHIBIT 3

MADISON SQUARE GARDEN NETWORK PROGRAMMING

Oct. 1981 – Sept. 1982 Oct. 1990 – Sept. 1991

	<u># of Programs</u>	<u>Total Hours</u>	<u># of Programs</u>	<u>Total Hours</u>	<u>% Change In # Of Programs</u>	<u>% Change In # Of Hours</u>
Rangers						
Pre-Season	2	6.0	1	3.0	- 50%	- 50%
Regular Season	40	120.0	75	225.0	+ 88%	+ 88%
Playoffs	8	24.0	10	30.0	+ 25%	+ 25%
Knicks						
Pre-Season	2	5.0	2	5.0	FLAT	FLAT
Regular Season	40	100.0	78	195.0	+ 95%	+ 95%
Playoffs	--	--	7	17.5	--	--
Yankees						
Pre-Season	--	--	4	12.0	--	--
Regular Season	--	--	107	321.0	--	--
College Basketball	14	28.0	67	134.0	+ 379%	+ 379%
Pro Boxing	14	35.0	29	72.5	+ 107%	+ 108%
Golden Gloves Boxing	7	17.5	--	--	--	--
Track & Field	2	6.0	--	--	--	--
Wrestling	7	21.0	120	138.0	+ 1,614%	+ 557%
Dog/Horse Show	4	12.0	4	12.0	FLAT	FLAT
Tennis	8	16.0	56	112.0	+ 600%	+ 600%
Horse Racing	129	129.0	329	329.0	+ 155%	+ 155%
Bowling	2	4.0	3	1.5	+ 50%	- 63%
Masters of Hockey	1	2.0	--	--	--	--
Golf	--	--	114	89.75	--	--
Auto Racing/Motorsports	--	--	259	177.5	--	--
Outdoors/Fishing	--	--	115	63.0	--	--
Volleyball	--	--	3	3.0	--	--
NFL Pre-Season Football	--	--	1	3.5	--	--
Lacrosse	--	--	1	1.0	--	--
Bicycle Racing	--	--	1	1.0	--	--
High School Basketball	--	--	3	7.5	--	--
College Football	--	--	13	39.0	--	--
College Baseball	--	--	2	4.0	--	--
Senior Pro Baseball	--	--	10	30.0	--	--
MSG Produced Sports, News and Commentary	--	--	845	424.75	--	--
Misc. Syndicated Sports Programming	--	--	1157	928.5	--	--

TOTAL =	280	525.5	3416	3380.0	+ 1,120%	+ 543%
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SOURCE : MSG Network

Exhibit 4

Manufactured
JULIUS BLUMBER
NYC 10013

EXHIBIT 4

MADISON SQUARE GARDEN NETWORK

SUBSCRIBER HOUSEHOLDS OUTSIDE OF NEW YORK DMA

<u>DMA</u>	<u>MSG Network Subscriber Households</u>
Philadelphia	93,732
Hartford – New Haven	491,414
Buffalo	326,466
Wilkes Barre – Scranton	122,043
Albany – Schenectady Troy	154,802
Syracuse	152,640
Rochester	187,134
Burlington – Plattsburgh	11,110
Binghamton	31,686
Utica	67,105
Elmira	34,340
Watertown	35,528
 TOTAL =	 1,708,000

SOURCE : MSG Network, 12/92